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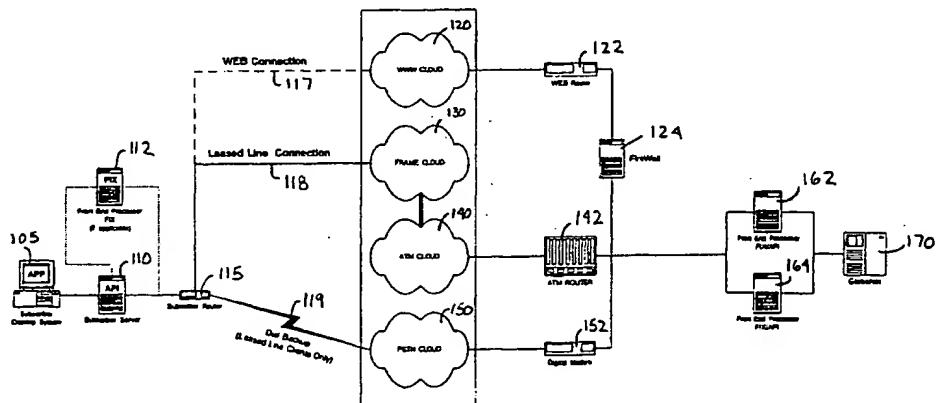
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(54) Title: METHOD AND APPARATUS FOR PROCESSING SECURITIES TRANSACTIONS



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(57) Abstract: A method and system for trading securities and other goods and services which incorporates an electronic auction and matching system which connects buyers and sellers of securities or other goods and services via the Internet. The disclosed embodiments may incorporate an order book system which can aggregate, manipulate, display and interact with securities order data for Subscribers to view qualifying buy and sell orders. In addition, the disclosed embodiments allow Subscribers to continuously search out a best bid and offer and to provide a range of shares for sale defined in minimum lot sizes up to a maximum number of shares. Moreover, the disclosed embodiments employ both a trading system database and a central data repository for processing and saving information regarding trades, Subscribers, and other information.

**METHOD AND APPARATUS FOR PROCESSING  
SECURITIES TRANSACTIONS**

5        This application claims the benefit of Provisional Application 60/141,859, filed July 1, 1999 and Provisional Application 60/155,489, filed September 23, 1999.

**TECHNICAL FIELD**

10      The present invention relates to a securities trading method and system, and in particular to an improved computer automated securities trading system.

**BACKGROUND OF THE INVENTION**

15      The buying, selling, or trading of securities such as stocks, options, futures, commodities is conducted through a broker or brokerage firm. The brokers or brokerage firms either deal directly with a security exchange, such as the National Association of Security Dealers Automated Quotation (NASDAQ) system, or directly with other brokers or brokerage firms to buy, sell or trade securities.

20      Individual securities traders must use the services of either a broker or brokerage firm in order to buy, sell or trade their securities. An individual will communicate to his broker or brokerage firm the security they are interested in and the specifics of the buy or sell order. The use of computers and the internet to communicate with one's broker or brokerage firm is well-known.

**SUMMARY OF INVENTION**

It is an object of the invention to provide an improved securities trading system.

5 A further object of the present invention is to provide a securities trading system which includes an Interactive Open Order Book capable of allowing Subscribers via the Internet to aggregate, manipulate, display and interact with the buy and sell order data.

10 It is another object of the present invention to provide a securities trading system which allows users to place a match order which dynamically searches out the best bid and offer and determines the decimalized mid point of the best bid and offer.

15 It is still another object of the present invention to provide a securities trading system which allows users to place a range order which allows the user to specify minimum lot sizes of shares up to a maximum number of shares the user is willing to buy or sell.

20 It is still another object of the present invention to provide a securities trading system which incorporates a trading system database which will interact with a central data repository where the combination of the databases will be used for processing and storing trading and historical data.

25 A further object of the present invention is to provide a securities trading system which can trade securities of a given exchange both inside and outside of the traditional trading hours of the given exchange.

In a preferred embodiment, the invention provides an electronic auction, matching or trading system for securities that operates via the Internet or other available

communication mediums through the use of general purpose computer hardware and software.

5

### BRIEF DESCRIPTION OF DRAWINGS

FIG. 1 is a block diagram of an exemplary hardware environment of the preferred embodiment of the present invention;

10 FIG. 2 is another block diagram of an exemplary hardware environment of the preferred embodiment of the present invention;

FIG. 3 depicts a screen illustrating the Interactive Order Book;

FIG. 4 depicts a screen illustration the Order Book;

FIG. 5 depicts a screen where a user can preview company and securities related data;

15 FIG. 6 depicts a screen where a user can obtain summary and historical pricing data of securities;

FIG. 7 depicts a screen where a user can view financial information extracted from SEC filings;

20 FIG. 8 depicts a screen where a user can view a market summary for all listed companies.

### DETAILED DESCRIPTION

25 The present invention relates to a system which includes novel software that operates in combination with general purpose computer hardware to provide an electronic auction, matching system or trading system for securities and other goods and services. With regard to the auction, matching or trading of securities, the invention further provides an electronic communications network (ECN), alternative trading system (ATS),

or electronic exchange. The system of the invention provides members with the capability of performing auction, matching and trading transactions via the Internet and other available communication mediums. Trading, auction or matching relates to the facilitation of connecting buyers and sellers for the purpose of displaying information and 5 consummating transactions. The term "Subscribers" as used herein includes any type of trading participant in the system, and the term or "the System" as used herein means the system of the invention.

The system configuration, in a preferred embodiment, is discussed with reference 10 to Figures 1 and 2. The securities trading system 100 links a Subscriber's desktop unit 105 with the system servers 162, 164 which process securities trading. The Subscriber's desktop unit 105 can be connected to a Subscriber's server 110 or to a front end processor 112. The Subscriber's server 110 would preferably use an Application Program Interface (API) which is a specific communication language and system for the present invention. 15 However, the Subscriber's desktop system 105 may also use a front end processor 112 utilizing a FIX system for connecting through the Internet.

The Subscriber's server 110 or front end processor 112 are then connected to a 20 Subscriber router 115. Based upon the system and communications available the Subscriber router 115 will route the communication from the Subscriber Desktop system 105 to any of three possible paths.

First, if the Subscriber is using an Internet or WEB connection the Subscriber 25 router 115 will direct the communication along the WEB connection 117 to the WEB or Internet which is depicted as the WWW cloud 120. The WWW cloud 120 or Internet connection is then routed by WEB router 122 through a Firewall 124 to the two securities trading servers 162, 164. The securities trading servers 162, 164 are configured to communicate using the API or FIX system. The securities trading servers 162, 164 are

also connected to a system administration network 170. Communication from the securities trading servers 162, 164 back to the Subscriber travels along the same path.

Second, provided the Subscriber has a leased line or direct connection the 5 Subscriber router 115 will direct communication through the leased line connection 118 into the attached FRAME cloud 130 and ATM could 140. The FRAME cloud 130 and ATM could 140 convert the communications into an asynchronous transfer mode which structures the exchange into tiny units of information cells. The information cells are then routed by the ATM router 142 to the securities trading servers 162, 164 for 10 processing securities trades. Communication from the securities trading servers 162, 164 back to the Subscriber travels along the same path.

The third communication path which utilizes a phone dial up system is considered more of a backup in the event that the Subscriber can not connect using either their WEB 15 connection 117 or leased line connection 118. In the event that a connection through the WEB connection 117 or leased line connection 118 cannot be made the Subscriber Router 115 will route the communication over a dial backup communication line 119 to a PSTN cloud 150. The PSTN cloud 150 communicates with a digital modem 152 which directs the information to the securities trading servers 162, 164 for processing securities 20 trades. Communication from the securities trading servers 162, 164 back to the Subscriber travels along the same path.

The WEB connection 117, the Leased Line connection 118 and the phone backup connection 119 can each be employed individually or in any combination to provide 25 redundant and backup systems. In a preferred embodiment, a subscriber would have all three systems employed.

As seen in Figure 2, a client or Subscriber may have their own Local Area Network (LAN) 101 so that multiple users can utilize the system. The Client LAN 101 is

connected to the Client/Subscriber router 115 for routing the information through the WEB connection 117, the Leased Line connection 118, or the phone dial backup connection 119. Evident from Figure 2 is that the WEB connection 117 is connected to the Internet 120 which is connected via Internet routers 122 and multiple Firewalls 124 to the trading system servers 162, 164. The Leased Line connection 118 connects to a FRAME cloud 130 which can connect to the trading system servers 162, 164 in two ways. The FRAME cloud 130 is connected to a market router 126, such as the NASDAQ, which is connected through a Firewall 124 to the trading system servers 162, 164. The FRAME cloud 130 could also be connected to an ATM cloud 140 which converts the information into information cells. An ATM router 140 connects the ATM cloud to the trading system servers 162, 164 after passing through a Firewall 124. The phone dial backup connection 119 connects through the PSTN to a dial backup router/modem 152 which connects the PSTN cloud to the trading system servers 162, 164 after passing through a Firewall 124. Also shown in Figure 2, is a second Subscriber 103 connected to the system 100 via the WEB or Internet 120.

The trading system servers 162, 164 are configured to allow one server to be the primary server while the other server is used as a backup server. However, the system could be designed to allow both servers to be used concurrently. The trading system servers 162, 164 share a combined data storage 166 and are connected to the system administration network 170.

The system administration network 170 is comprised of an internal router 172, Local Area Network 173, a Firewall 174, an application server 176, an audit server 180, and a data bank 182. Personnel used to administer the system 100 can be connected to one another and the system 100 via a Local Area Network 173 which is connected to the Trading System Servers 162, 164 through an internal router 172 and Firewall 174. The Application server 176 is used to run system application and monitoring systems which insure the integrity and functionality of the system 100. The Audit server 180 and the

data bank 182 are used in conjunction to both store back-up data and to survey, obtain and provide securities trading market information.

As will be described with reference to Figures 3-8, Subscribers interact with the 5 trading servers 162, 164 depicted in Figures 1 and 2, through various interactive screens displayed on their desktop system 105.

Figure 3 depicts a screen containing an Interactive Order Book 300 which may contain the company name 302, the company symbol 304, a company symbol command 10 search button 306, an order status bar 308, a Match Order Price box 310, buy orders 320, and sell orders 340. The buy orders 320 may contain information relating to the order number 322, the number of shares 324 and the price 326. The sell orders 340 may contain information relating to the order number 342, the number of shares 344 and the price 346. The Interactive Order Book 300 may also contain an order window 350 15 which allows a Subscriber to input a buy or sell order. The order window 350 may contain information relating to price 352, type of order 354, volume 356, show volume 358, time 360, and a route 362. The Subscriber can then click on the Buy button 364, the sell button 365, the cancel all button 366 or the cancel all orders button 367. The Subscriber will also have the option to make the order a short exempt order 368 or an 20 In/Out order 369.

The Interactive Order Book 300 may also contain a last executions window 370 for a specified company and a system transactions window 380. The system transactions window 380 contains real time information for new orders and real time information for 25 executed orders. The system wide new or pending orders are displayed in a pending orders window 381 and the executed orders are displayed in an execution status window 391. In addition, the Subscriber will have the ability to configure the Interactive Order Book 300 to show all of the features described above or to modify the configuration to show only the features desired.

By utilizing the Interactive Order Book 300 a Subscriber can view open buy orders 320, open sell orders 340, the Match Order Price 310, system wide pending orders 381 and the system wide execution status 391 while being able to interact with the system 5 to place or execute orders. The Interactive Order Book 300 serves as a single point of price discovery for securities traded over the system 100 of the present invention. The Interactive Order Book 300 allows the Subscriber to view the most competitively priced, outstanding and unexecuted orders and is an investment tool for price discovery and order tracking. The orders are prioritized on the order book according to price and time.

10

Figure 4 depicts a screen which contains a non-interactive order book 301. The non-interactive order book 301 contains the same open order information as the interactive order book 300 but does not allow include the order window 350, match order price box 310, last executions window 370, or the systems transaction window 380. The 15 non-interactive order book 301 may contain the company name 302, the company symbol 304, a company symbol command search button 306, Last Match price 309, a Last Match time 311, buy orders 320, and sell orders 340. The buy orders 320 may contain information relating to the order number 322, the number of shares 324 and the price 326. The sell orders 340 may contain information relating to the order number 342, the 20 number of shares 344, and the price 346.

Figure 5 depicts a screen which contains a company summary profile 400. The company summary profile 400 may contain the company name 102, a company profile 410, a company summary 420, stock quotes 430, and company news 450. The company 25 profile 410 may contain a profile of the company including the type of business or service they provide. The company summary 420 may contain information relating to the company address, company web site, and the officers of the company. The stock quotes 430 contains stock pricing information relating to that company and may include the last system executed transaction 431, the last system bid 432, the last system ask 433, the

national open price 434, the national high 435, the national low 436, the exchange the stock is traded on 437, the national last executed transaction 438, the national last bid 439, the national last ask 440, the national volume 441, the national change 442, the 52 week high 443, and the 52 week low 444. The company news 450 may contain links to 5 news stories relating to that company. In addition, the Subscriber will be able to view additional pages through use of the profile summary link 460, the Charting link 465, the SEC filings link 470, or the Financials link 475.

Figure 6 depicts a screen which contains charting and pricing information 500.

10 Once again the charting and pricing information 500 may contain a company summary 420, stock quotes 430, the profile summary link 460, the Charting link 465, the SEC filings link 470, and the Financials link 475 as described above. Further, the charting and pricing information 500 will contain a charting window 510. The charting window 510 will be able to display charts based with varying time increments by selecting a time 15 increment such as the current trading day, the last 3 months, 6 months, 9 months, 12 months, 24 months, 48 months, 72 months, or 96 months by clicking on the preferred time increment on the time selection bar 520. Further, based upon the time increment chosen the Subscriber can select to chart the daily price changes, the closing price or the share volume.

20

Figure 7 depicts a screen which contains company financial information 600 which is extracted from Securities Exchange Commission (SEC) filings. Once again the charting and pricing information 500 may contain stock quotes 430, the profile summary link 460, the Charting link 465, the SEC filings link 470, and the Financials link 475 as 25 described above. The company financial information 600 contains a Financial window 610 which may contain information relating to revenues 612, income 614, EBITDA (earnings before interest, tax, depreciation and amortization) 616, net earnings 618, earnings per share 620, earnings per share (diluted) 622, current assets 624, long term assets 626, and total assets 628.

Figure 8 depicts a Market Summary 700 screen a Subscriber may use as a unique tool to serve as a single point of information for trading activity on the system 100 described in Figures 1 and 2. The Market Summary 700 will contain links to the 5 Interactive Order Book and to Company summary pages. As seen in Figure 7, the Subscriber can use the Market Summary link 702, the Order Book link 704 or click on the Research bar 710 for researching companies. Further, the Subscribers will be able to customize the Market Summary 700 to display Subscriber dictated information. The 10 Market Summary 700 may contain information relating to the company name 720, the ticker or stock symbol 730, the % change 740, and tick price indicator 745, the tick (price or change since last transaction) 750, the exchange 755, the bid price 760, the ask price 765, the last price 770 and national data 780 such as the national last price 785 and the national volume 790.

15 The system of invention is designed to support a number of protocols governing communications with said system. The preferred embodiment of such protocols is a proprietary Application Programming Interface (API). A secondary protocol relating to securities trading is the Financial Information Exchange (FIX) protocol.

20 A proprietary Application Programming Interface (API) is the preferred embodiment of communications with the system. The API facilitates the integration of the systems' Graphical User Interface (GUI) or external systems, with the system of invention. The API is comprised of two parts. 1) Message definition between the System and Subscribers and 2) a software library comprised of calls a Subscriber will incorporate 25 into their system. The API communicates with TCP/IP and can be used over a dedicated circuit or the public Internet. The API employs a Secure Socket Layer (SSL) for privacy. The SSL layer enables all communication between the Subscriber and system to be encrypted with 128-bit encryption. The TCP/IP and SSL are internal to the Library and Subscribers do not need an intimate knowledge of the Library to use the API. Messages

are passed to the API as C structures. The API will place a proper header and footer for transport between the Subscriber and the System.

The API library is designed for simplicity is comprised of four (4) function calls:

- 5      **OpenConnection**
- CloseConnection**
- SendMessage**
- RecvMessage**

10     **Open Connection**

Open connection establishes a Secure Socket Layer connection with the System over a TCP IP Link. OpenConnection will return success when a connection is established. If, a connection cannot be established, the function will return a non-zero value if an error occurs.

15

**CloseConnection**

CloseConnection will close the TCP/IP link to the System. The function will return a non-zero value if an error occurs

20     **SendMessage**

SendMessage operates in blocking mode. The function will not return until there is error in the connection or the message is delivered. This function will take the given message and add a proper header and footer to the message. It then encrypts the message with 128-bit encryption before sending over the SSL layer and then over the TCP IP link.

25

**RecvMessage**

RecvMessage operates in blocking mode. The function will not return until there is error in the connection or a full message is received. This function will only return the 30 message sent from the internal system. It is the user responsibility to have a buffer

available to handle all message size to could be received. Before returning the message to the Subscriber, the message is decrypted and the header and footer are strip off.

5 Subscribers may choose to conform to the Financial Information eXchange (FIX) protocol. The FIX protocol is a messaging standard developed specifically for real-time electronic exchange of securities transactions. FIX is a public-domain specification owned and maintained by the FIX Organization.

10 The system of invention is designed to accept messages from either its accompanying Graphical User Interface (GUI) or external systems (according to a protocol). The GUI in its preferred embodiment is a browser based interface. The GUI allows Subscribers to access the system, view system information, submit messages for processing by the system, and request information on messages being processed by the 15 system. Each Subscriber may have multiple users, each with a unique IDs and passwords required to access the system. The GUI may also take the form of a software interface or other electronic means.

20 The GUI in its preferred embodiment includes the following functions designed to simplify and enhance User interaction.

The color coding of buy and sell orders on the book to aid in the intuitive identification of the orders. This includes coloring of orders that are better than the nationally disseminated best buy or ask sell prices. The preferred embodiment of the 25 color coding schema is:

<b>Green</b>	System has the same or better price than the national best
<b>Red</b>	The national best is better than the System.
<b>Black</b>	National Market is closed

The GUI allows individual users to customize their color scheme and includes the option to specify a color (which only that user sees) to designate their outstanding orders on the system.

5

Users of the GUI have the ability to "hit the book", simply by double clicking their mouse on an order. When an order is hit, a contra-side order is sent to the system as an immediate or cancel (IOC) limit order at the price listed on order to be "hit".

10

The GUI includes a "cancel all orders for a security" function. The *Cancel all* function allows the GUI user to cancel their outstanding orders for the current Order Book's security. By clicking this button a special order type of "cancel orders" will be sent to the system and all of the user traders outstanding orders (or portions thereof) for this security will be canceled.

15

The GUI includes a "cancel all orders function." The *Cancel all Orders* function allows the user to cancel all of their outstanding orders for the current Order Book's security. By clicking this button a special order type of "cancel all orders" will be sent to the system and all outstanding orders (or portions thereof) for this security will be canceled.

20

The system of the invention in its preferred embodiment further provides an interactive order book system for aggregating, manipulating, displaying and interacting with order data. In this respect, the invention provides a means on the public Internet for investors to view qualifying buy and sell orders in an electronic format. An alternative version of the Interactive order book may be offered to system Subscribers over the GUI. This version allows Subscribers to interact with the book, as described above, with a single action (such as a right click of the mouse).

In addition to conventional types of securities trading orders (e.g., market orders, limit orders, stop orders; etc.), the system of the invention in its preferred embodiment supports "match" orders and "range" orders. These novel order types are described below.

5

The match order is a novel type of order that augments existing methodologies of generating liquidity in otherwise illiquid markets. The system of the invention can dynamically search out the National Best Bid and Offer (NBBO) and continuously determine the decimalized mid-point of the NBBO. This can be accomplished 10 mathematically by converting the NBBO numbers to decimalized format, if necessary; then adding the two numbers and dividing by two (2), the result being the arithmetic median. The result can then be truncated to two decimal places. The mid-point can be calculated in other manners as well, such as by calculating the arithmetic mean. The resulting number can be displayed in the Open Limit Order Book for each security 15 registered on the system as the "Match" price at that moment in time. It is a floating number and will change in direct relationship to changes in NBBO or internal best bid or offer.

The business rules by which the system preferably makes use of the mid-point 20 number are also unique. The "Match" Order preferably includes the variables:

- Buy or Sell indication.
- Number of shares to be bought or sold.
- Designation of the order as a "Match" type of order.
- An optional "Limit" price of the calculated "Match" price above or below which 25 the order becomes invalid

An investor that wishes to enter a "Match" Order can click the button on the order form containing such designation. The word "Match" or "MCH" or a systematically

generated price then appears in the Price window. In addition, the investor preferably must also define the "Limit" Price that may accompany the order so that the investor specifically states a price above which he will not buy or below which he will not sell.

5       Once a "Match" Order is entered into the system, it is placed at the top or ranked by the dynamic price within the "Limit Order Book" of the Trading System in accordance with time priority rules with other "Match" Orders on the same side of the market. A "Match" Order can be executed against another "Match" Order regardless of size, thereby allowing for partial "fills." A "Match" Order can also be executed against a "Market" 10 Order entered subsequent to the posting of a corresponding "Match" Order or a "Limit" order at the dynamically generated "Match" price.

15       Match orders preferably execute against a number of other order types. Match orders may execute against a limit order at or better than the dynamically calculated match price. In addition, match orders may execute against incoming market orders, providing price improvement for the market order.

The "Range" Order is a further novel type of order which may be provided by the system of the invention. With conventional order entry in the securities markets, the 20 investor can only specify the maximum number of shares he is willing to sell. He has never been able to determine the minimum number of shares with the exception of two historical order types, "Fill or Kill" and "All or None," which made the minimum number of shares to be purchased the same as the maximum number of shares. Using the "Range" Order of the invention, an investor effectively is able to communicate, as part of 25 his order, the fact that he is willing to sell shares in minimum lot sizes up to a maximum number of shares. This order can receive partial "fills" as long as each partial "fill" or execution is in accordance with the minimum number of shares specified in the order. Therefore, a "Range" Order entered for 400 - 1000 shares could be "filled" in the following combinations:

---

One order for 1000 shares

Two orders for 500 shares

One order for 400 shares and one order for 600 shares

5

It should be noted that, in the preferred embodiment, a "Range" Order that receives a partial "fill" or execution and which still has sufficient shares remaining that equal or exceed that minimum size in the order will remain open for the designated duration, be it a "Day" Order or "GTC" (Good 'Til Canceled).

10

In the event that a "Range" Order receives a partial "fill" whereby the remaining number of shares is less than the minimum number of shares stated in the order, the order is preferably considered to be complete and the remaining shares are canceled. The Subscriber in this case will receive notification that he is "filled" on "X" number of shares and "canceled" on the remaining "X" number of shares.

15

Using the above example of a "Range" Order of 400 - 1000 shares, the following single executions may have the following results:

20

700 shares "filled." Report to investor: "700 shares filled. Remaining 300 shares canceled. Order complete."

800 shares "filled." Report to investor: "800 shares filled. Remaining 200 shares canceled. Order complete." This report would also be issued on the second order in the event that the 800 shares was "filled" by two 400 share executions.

25

900 shares "filled." Report to investor: "900 shares filled. Remaining 100 shares canceled. Order complete." This report would also be issued on the second order in the event that the 900 shares was "filled" by a 400 share execution plus a 500 share execution.

The system of invention is preferably designed to trade inside and outside of traditional trading hours, thereby providing Subscribers greater access to both a transaction network and pools of liquidity. The system is designed to maintain a number of "states" during the day to reflect the different environments in which it will be trading.

5 Each state has a series of associated business rules (such as which order types it will process), each designed to preserve a fair and orderly marketplace for its Subscribers, cognizant of environmental conditions.

One of the novel aspects of the system is the means through which its orders can  
10 interact and the way such interaction provides price improvement opportunities for its Subscribers. All orders that are entered into the system can execute against one another.

First level examples of such interaction are:

15

	<i>Buy Side</i>	<i>Sell Side</i>
	Limit	Limit
	Limit	Match
	Limit	Market
20	Limit	Range
	Market	Limit
	Market	Market
	Market	Match
	Market	Range
25	Match	Range
	Match	Match
	Match	Limit
	Match	Market
	Range	Match

Range	Limit
Range	Market
Range	Range

5 It should be noted that a single order may execute against all possible combinations of orders on the contra side. This relationship creates an endless possibility of combinations that can be created as the contra side for an incoming order.

The system of invention in its preferred embodiment employs an order-matching  
10 algorithm designed to seek the best mutual matching price. This algorithm examines the prices designated within each order (for match orders this is the dynamically calculated match price, for market orders this is equivalent to the nationally disseminated best price) and then selects the mid-point of the two prices (the preferred embodiment of which is expressed and matched to four decimal places). In the event that the mid-point is not  
15 between the nationally disseminated best bid and ask prices (the NBBO), the system will look for a price at which it can match at a price equal to or better than the NBBO.

The invention preferably employs a trading system database (TSD) for use in its primary processing system (trading system). The trading system also interacts with a  
20 separate database instance that will serve as the central data repository (CDR). The CDR houses all historical information regarding trading instruments, Subscribers, and trading activity. The CDR also serves as the primary administrative database, in which all administrative changes (new trading instruments, new Subscribers, name changes, etc.) are made. The trading system interacts with the CDR at defined intervals to update its  
25 tables of trading instruments (such as securities) and qualified Subscribers. The trading system also interacts with the CDR at defined intervals to upload all trading information from the TSD into the CDR for storage and processing.

The TSD is described in detail. The TSD will be comprised of a number of tables and will, at a minimum, encompass the following four areas:

5 Security (or product or service or trading instrument) Information (db\_stock.h) - maintaining information specific to a security (or trading instrument or product or service) and the unique trading requirements and properties thereof;

10 Subscriber Information (db\_firm.h) - maintaining information specific to a Subscriber and the unique trading requirements thereof;

15 Order Information (db\_order.h) - maintaining information specific to an Order and the processing thereof;

15 Trade Information (db\_deal.h) - - maintaining information specific to a match (execution) and the unique properties thereof.

Examples of each table are provided below:

#### DB\_STOCK.H

20

```
long lNextRec;           /* Next available record */
short iIndex[27];        /* Index into table for symbol */
short iMaxRouteQue;     /* Max route queue depth */
short iFlushTimer;       /* Gbl flush timer, (sec) */
25 short iBookTimer;     /* Book update msg timer, (sec) */
                       /* Trading times */
short iPreopenTime;     /* Time for preopen (hhmm) */
short iOpenTime;         /* Time to open market (hhmm) */
short iAfterHoursTime;  /* Time for after hours (hhmm) */
30 short iCloseTime;    /* Time to close market (hhmm) */
char cMktStatus;        /* Market status */
                       /* O-Open, P-Preopen, H-Halt */
                       /* B-BeginOpen, C-Closed */
char cExchange;          /* Exchange code */
```

```

      /* G=GlobeNet
char cFlush;          /* DB flushed Y/N      */
char cRoute;          /* Routing on Y/N      */
char cRouteExchange;  /* Routing exchange code */
5   } *DB_SEC_HEADER;
typedef struct sec_rec
{
    long lFirstBid;           /* First buy order record */
    long lLastBid;            /* Last buy order record */
10   long lFirstAsk;          /* First sell order record */
    long lLastAsk;            /* Last sell order record */
    long lBidPx;              /* Exchange bid price */
    long lBidSize;             /* Exchange bid size */
    long lAskPx;              /* Exchange ask price */
15   long lAskSize;            /* Exchange ask size */
    long lNBidPx;              /* National bid price */
    long lNBidSize;             /* National bid size */
    long lNAaskPx;              /* National bid price */
    long lNAaskSize;             /* National ask size */
20   long lHigh;                /* High price today */
    long lLow;                 /* Low price today */
    long lVolume;               /* Volume traded today */
    long lOpen;                  /* Open/Proj open price */
    long lPriorHigh;             /* Prior day high price */
25   long lPriorLow;             /* Prior day low price */
    long lPriorVolume;            /* Prior day volume traded */
    long lPriorOpen;              /* Prior day open price */
    long lPriorClose;             /* Prior day close price */
    long lAverageVol;              /* Average daily volume */
30   long lLastPx;                /* Last sale price */
    long lLastShares;             /* Last sale size */
    long lLastTime;               /* Last sale date/time */
    long lNLastPx;                /* External Last price */
    long lNLastShares;             /* External Last size */
35   long lNLastTime;              /* External Last date/time */
    long lMaxOrdSize;             /* Max order size */
    long lMinOrdSize;             /* Min order size */
    long lHaltTime;                /* Time of halt */
    short iSpread;                  /* Min price spread */
40   char cBidExchange;            /* Exchange of best bid */
    char cAskExchange;             /* Exchange of best ask */
    char cMktStatus;                /* Stock status */
        /* O-Open, C-Close, H-Halt */
        /* S-Suspended, P-Preopen */

```

```

char cNationlOpen;      /* External mkt open      */
                        /* C-Closed, O-Open      */
                        /* A-After-Hours        */
5   char cTick;          /* Tick +, -, "          */
char cPrevTick;         /* Previous Tick +, -, " */
char cNTick;            /* External Tick +, -, " */
char cPrevNTick;        /* Previous External Tick */
char cListing;          /* Listing status         */
                        /* G=GlobeNet           */
                        /* A=Amex               */
10  char cBuySideHit;    /* Hit between last update */
char cSelSideHit;       /* Hit between last update */
char sSymbol[DB_SYMBOL_LEN];/* Stock symbol           */
                        /* Stock CUSIP           */
char sCusip[DB_CUSIP_LEN];/* Stock CUSIP           */
char sFill[1];           /* Fill to longword boundry */

```

## DB\_FIRM.H

```

25
long lCommLink;          /* CTCI comm link number */
long lFirmSeq;            /* Firm seq number        */
long lFirmLink;           /* Firm order link head pointer */
char sClientID[DB_CLIENTID_LEN]; /* FIX-109 Firm ID      */
30
char sSymbol[DB_SYMBOL_LEN]; /* FIX-55 Firm's stock symbol */
                        */
char cStatus;             /* Firm status            */
                        /* A-Active, S-Suspend   */
char cOrderRouting;       /* Order routing Y/H/R/C */
                        */
35
char cAfterHours;         /* After hours trading Y/N */
char cMktMaker;           /* M-MarketMaker, B-BD   */
char cRule80A;             /* FIX-47                 */
char cQSR;                  /* Y/N                   */
char cAGU;                  */
40
***** Comm Stuff          */
char sLineId[DB_LINEID_LEN]; /* CTCI line id           */
char sCommPort[DB_COMMPORT_LEN]; /* CTCI comm port name   */

```

```

char sCommPswd[DB_COMMPSWD_LEN]; /* CTCI comm link password*/
char cCommProtocol;           /* CTCI protocol type */
5                                /* T - TCP/IP */          */
                                /* B - Bisync */          */
                                /* D - Decnet */          */
                                /* S - SNA */             */
                                /* X - X.25 */            */
                                /* M - MRDP */            */
                                /* F - Siac FMP */        */
10   char cHoldIntrnl;          /* FIX-9140 1=Hold */      */
                                /* sTargetTrader[10] */    */
                                /* sCompID[10] */          */

```

## DB\_ORDER.H

```

15
long lNextRec;                  /* Next available record */
long lDumpTime;                /* Time of last dump to disk */
long lRejects;                 /* Orders rejected */
long lKickBack;                /* Orders returned, better NBBO */
20 long lRoutes;                 /* Orders routed */
long lQuoteCount;              /* External quotes counter */
long lLastCount;                /* External last sale count */
long lGblDump;                 /* Global dump counter */
short iLastArchive;             /* Time archive was run (hhmm) */
25 char cLastDump;               /* File ext for glb backup file */
} *DB_ORDER_HEADER;typedef struct order_rec
{
long lFwdSecLink;              /* Forward security link (rank) */
long lBkSecLink;                /* Back sec link pointer (rank) */
30 long lFirmLink;               /* Firm link */
long lOrderQty;                 /* FIX-38 Initial volume */
long lLeavesQty;                /* FIX-151 Volume remaining */
long lPrice;                    /* FIX-44 Scaled price */
long lStopPx;                   /* FIX-99 Stop Price */
35 long lTime;                   /* Entry date/time */
long lCxlTime;                  /* Order Cancel date/time */
short iSec;                     /* Security record number */
short iFirm;                    /* Firm ptr */
char cRule80A;                  /* FIX-47 */
40 char cOrdStatus;              /* FIX-39 Order status */
char cOrdType;                  /* FIX-40 Order type */
char cSide;                     /* FIX-54 Side */
char cTimeInForce;              /* FIX-59 */
char cExecInst;                 /* FIX-18 Conditions */

```

```

char cExchange;          /* Routing Exchange      */
char cHoldIntrnl;       /* FIX-9140 1=Hold Internal   */
char cExtendedHours;    /* FIX-9133           */
char sClOrdID[DB_CLORDID_LEN]; /* FIX-11 Firm order ID      */
5  char sFill[2];        /* Keep it on longword boundry */

```

DB DEAL.H

```

10   long lNextRec;        /* Next free record      */
long lActAck;           /* # of Act messages sent */
long lActAsOfAck; /* # of Act as of msgs sent */
long lVolume;           /* Volume traded today   */
15 } *DB DEAL HEADER;
typedef struct deal_rec
{
long lBOrd;             /* Order rec pointer (buy) */
long lSOrd;             /* Order rec pointer (sell) */
20 long lLastPx;          /* FIX-31 Price          */
long lLastShares; /* FIX-32 Volume         */
long lTransactTime; /* FIX-60 Date/Time of deal */
char cExchange;          /* Trading Exchange       */
/* G=GlobeNet           */
/* A=Amex              */
25 /* M=Chicago           */
/* N=NYSE               */
/* P=Pacific            */
/* Q=Nasdaq NM          */
/* S=Nasdaq SC          */
30 /* U=OTCBB (US)         */
/* V=OTCBB (foreign)     */
char cActReported; /* Reported to ACT Y/N   */
char cCleared;           /* Cleared Y/N          */
35 char sFill[1];        /* Filler                */

```

40 Order/Message validation in accordance with a preferred embodiment of the invention will now be discussed in detail. All incoming messages (and elements thereof) are subject to validation according to defined business logic, as it may change from time

to time. Primary validation occurs on the application (trading system) level, although validation may also occur on the protocol level. A hierarchical process governs system validation. Messages that do not pass all such validation will be rejected and a rejection message returned to the appropriate Subscriber. In its preferred environment that 5 hierarchy is:

System Status – Is the system accepting (for processing) the message type during its current state.

10           Subscriber Validation – Is the Subscriber identified in the message eligible to trade on the System.

Trading Instrument ID (Symbol) – Is the product or service specified in the message eligible for trading on the system.

15           Security State – Is the security specified in the message currently in a state for which this message can be processed.

Order Type – Is the order type (if applicable by message type) specified in the message eligible for processing during this System state.

20           Volume – Does the volume specified in the message (if applicable by message type) meet the minimum standards set for processing by the System.

25           Price – Is a price specified in the message (if applicable by message type and order type) and if so does the price meet any specified limitations thereon.

Side – Does the message/order have a specified side (such as buy or sell, if applicable by message type) and if so are there any special restrictions places around the processing of such side.

5 Size – Does the message/order have a specified size limitation (such as a \$ value, calculated from price x volume, if applicable by message type and side) that it must meet for processing by the System.

10 Time in Force (TIF) – Is the time in time in force value (if applicable by message type and system state, security state) associated with the order valid for processing by the system given its current state.

15 Extended Hours – Is the order marked for trading outside of traditional trading hours, and if so is such order eligible for processing therein.

Order/Message processing in accordance with a preferred embodiment of the invention will now be discussed in detail. Order messages are processed by the system in the sequence that they are received. The system governs application level validation and all aspects of order interaction, display and matching.

20 Orders that comply with all application-level validations are assigned a unique sequence number. The sequence number will be provided to the Subscriber and used for tracking purposes. Validated orders are queued for processing and are available for matching. If an order is capable of execution (an acceptable contra side party is found), a  
25 match will occur. If an order is not capable of matching, it is displayed on the Order Book or processed via Subscriber specific order instructions. Orders are matched according to a price and time priority.

The system in its preferred embodiment operates as a continuous matching system for orders entered therein. A matching cycle is precipitated, for a security, upon the following:

- 5            Receipt of a New Order
- Change in Order State
- Change in the NBBO or external price

Upon the occurrence of an event precipitating a matching cycle the system will:

- 10           Perform an evaluation as to where the best execution of an order can be found (price and size):
  - If internal go to step 2, or
  - If external and the order is executable (price and size), follow Subscriber specific instructions in the hold internal flag, performing one of the following:
- 15           Hold internal for processing, or
  - Route the order for manual processing, or
  - Respond to other instructions may be incorporated, or
- 20           Return the order to the Subscriber
- Employ an algorithm to select countervailing parties for matching:
  - If contra parties found, go to step 3, or
  - If no parties can be found, display and rank in the book (End);
  - Record (update) matched trades in the database; and
  - Remove orders (from book) if fully executed, update size if partial fill; and
  - Deliver execution message to appropriate Subscriber(s); and
  - Deliver message for trade reporting, as appropriate; and
  - Repeat until no further transactions can be processed.

Order routing/return will now be described in detail. The system constantly monitors the best internal and published external prices available for its trading securities, product or service. In the event that the external primary market is open for trading, a better price (execution) is available externally, and the order is fully or partially executable (price and size), the system will take action to facilitate execution at the better price, as instructed by the Subscriber . It will either:

10 Hold internal for processing, or  
Route the order for manual processing, or  
Respond to other instructions as may be incorporated, or  
Return the order to the Subscriber

15 Trading on the system is preferably accomplished in decimals, the preferred embodiment being four decimal places. All incoming orders priced in fractions are converted to four decimal places. Buy orders are rounded down; sell orders are rounded up. Orders may also be rounded to two decimal places for display purposes.

With respect to redundancy and recovery, the system of invention is designed to be fully redundant. In this case redundancy refers to an architecture that provides for a second process machine or means in the unlikely event that problems were to occur in a primary processing component.

Recovery refers to the fact the system of invention uses a complex schema to ensure that in the event of a problem, it will quickly be able to re-start message processing without losing a bit of information. In order to facilitate such recoverability, all incoming messages are recorded. Messages are also recorded at other processing points within the system. In the event that a problem was to occur, recorded messages for a defined period of time will be rebroadcast into the system where it will complete a pos/dup check to determine if the message had previously been processed.

System processes of the invention will now be described in detail. The system of invention includes a number of processes designed to run at defined points and perform a specific task or functionality. Such processes are required to run a marketplace.

5 Examples of these processes are given below:

Inter-state - These processes move the trading system from one trading state to another, enacting a new set of rules.

10 Beginning of Day – This process prepares the trading system to begin a trading day and includes updating the Subscriber and Trading Instrument tables, as well a myriad of other functions.

15 End of Day – This process prepares the trading system to end a trading day and includes cancellation of all day orders, updating its trading file to the CDR, updating Subscribers of a daily record and a myriad of other functions.

20 The system of invention is further augmented by designed means of facilitating the operations and conducting surveillance therof. The preferred embodiment of both the operations and surveillance element of the System are browser-based screen providing access to real-time trading data and System interaction.

25 The primary functionality of the operations module of the System is to ensure that the System is working efficiently (both hardware and software), Subscribers have access to the system and all other operation issues are addressed.

The primary function of the surveillance module of the System is to identify elements of “illegal” trading activity that may occur. Examples of such activity may

include "front-running," collusion, and manipulation to ensure the orderly operation of the marketplace.

The hardware of the invention in its preferred embodiment, as previously described in reference to Figures 1 and 2, will now be described in more detail. The hardware and software of the system in its preferred embodiment are designed to provide a system which is secure, fast, stable and scalable. The Computer Systems preferably comprise two logical networks, the Trading Network and the Administrative Network. The two systems are interconnected but operate logically independent of one another.

10 The Administrative Network is primarily Intel based, consisting of Microsoft NT Servers, Laser Printers, Laptops, Workstations and Thin Clients. This network also contains the necessary connectivity hardware such as: Category 5e cabling, Ethernet Switches, Patch Panels, and Modems. All equipment for this network is housed in locked cabinets in a secure room.

15

The Trading Network is the public portion of the computer infrastructure. The Trading Network houses the actual WEB interface to and from the trading system as well as the application and database servers. All servers and data storage areas utilize FireWall Security (CheckPoint FireWall 1) and are configured totally redundant. The 20 platforms utilize both RAS and High Availability features. All equipment for this network is housed in locked cabinets in a secure room.

The Servers in the Trading Network are preferably SUN Microsystems servers. The WEB Servers may be parallel Enterprise 250's while the application/database server 25 is made up of two Enterprise 4500's configured in a cluster. Such clusters have been certified by SUN Microsystems. All disk storage utilizes Raid Level 1, in addition to full disk hardware redundancy.

The Trading Network preferably utilizes some additional hardware in addition to that of the Administrative Network. The network servers utilize switched, full-duplex 100MB inter-equipment connections. All access to and from the equipment, external and internal, is via redundant Checkpoint Fire Wall 1 firewalls. The Firewalls allow for load 5 balancing to the WEB servers as well as port security. All servers' disk storage is backed up nightly to DLT tape libraries. A 5-week rotation is established with an offsite storage rotation.

The Administrative Network portion of the infrastructure is the vehicle that 10 enables the carrying out of daily business functions. This network allows for Scheduling, Calendaring, Task Management, Email, Group Collaboration, Internet Browsing, Word Processing, Filing, Printing and Faxing.

All Servers in the Administrative Network may comprise, e.g., Compaq Proliant 15 1600r's running Microsoft Windows NT Server 4.0. All Servers are Pentium II 450Mhz single and multiprocessor models. The Administrative Network Servers perform a variety of functions for the DNS. These functions are: Domain Authentication, Domain Backup, Email, Faxing, File and Print Services, Internet Proxy Services, Terminal Server, DHCP Services and Domain Backup Services. All of these Servers can connect directly to the 20 "core" network Ethernet switch via gigabit Ethernet over fiber optic medium.

The workstations are preferably made up of three types of systems: laptops, thin clients and desktops. The laptops are primarily Dell Inspiron 7000's. The thin clients are the NCD ThinStar 300 model. The desktops are Compaq Desk Pro 500Ms.

25

Both the Administrative Network and Trading Network can share a rack of equipment that is used to provide access to and from the Internet, the Clearing Houses and satellite offices. An additional circuit may be used to connect the CTCI interface to the NASDAQ to comply with the 90 Second Trade reporting rule. The equipment in this

rack is comprised of a fiber optic multiplexor that divides the available bandwidth into usable circuits for various purposes. The fiber into the multiplexor is of OC12 capabilities (655 MB), it is split into a burstable T3 (45 MB) for the WEB Servers, Fraction T1's (1.54MB) for the Clearing Houses and the remote offices, and Voice T1's 5 (48 channels) for the telephone switch. The fiber optic access is a spur directly off of an MCI Fiber Backbone loop (SONET RING).

The interface for the Interactive Order Book of the invention will now be described in detail. In this respect, the invention provides a system and method for 10 aggregating, manipulating and displaying order data. In particular, the invention provides a novel process by which retail investors or other users view qualifying offers to buy and sell securities in an electronic format. The system and method of the present embodiment preferably operates in conjunction with the trading system described above and preferably provides access to an interactive order book via the Internet or the GUI 15 such as that described above. However, it will be understood by those skilled in the art that the interactive order book as described below can be used with other securities trading systems and can use networks other than the Internet without departing from the spirit and scope of the invention.

20 The process provides for filtering of internal customer order data and selection of qualifying data for placement on a display mechanism (order book). Order data may include the following elements (in any order), ticker symbol (or other identifier), price (optional), size (quantity), time and date stamp, indication of either buy or sell, any limitations placed thereon and a unique order identifier. Upon submission, the order data 25 is combined with data regarding the identity of the entering party and other related underlying data (such as account information) to create a unique data set. The process evaluates all entered elements and displays identified qualifying data items.

Data which qualifies for inclusion in the interactive order book display specifically includes "open" orders, which comprise both priced and unpriced orders (that have yet to receive execution against a contra order or routing to an alternative destination.

5

The system and method of the invention in accordance with the present embodiment provides investors with a means to view order data in a real-time, intuitive and openly disseminated manner. The system and method of the invention in accordance with the present embodiment provides Subscribers with a means to view, interact and disseminate order data in a real-time, intuitive and openly disseminated manner. It facilitates a new level of interaction with the user, which is set forth in further detail below. For years such data has been the sole province of professional traders. Even the language that is used to represent buy and sell orders, "bid" and "ask," respectively, originates from a dealer-style market. The data is made available on a closed network, traditionally available only to brokers. A great deal of effort has been and continues to be made to keep such information from the average investor. Only recently has order data been made available to retail investors, and this is to a select group of "active traders" or wealthy individuals. Such groups are not provided the data in a manner that suits their needs, rather, they are simply provided read-only access to the tools and software of a professional trader.

An example of a display mechanism in accordance with the invention is shown in FIG. 3. The display mechanism is preferably color-coded and easily read. It may be designed to combine internal and external order elements. That is, the display preferably provides the investor with both internal order data (order data from the trading system referred-to above) and external order data (data from orders originating in other external sources such as stock exchange systems, or NASDAQ). The invention provides the investor with an improved tool for price discovery (transparency), price improvement and best execution methods.

As set forth in detail above, the system of the invention in its preferred embodiment allows Subscriber to enter orders for processing by the system. The underlying elements of certain unexecuted orders will qualify for display in the order book display of the invention. This display can be made available (in different iterations) over the internet and via the GIUI. Upon execution, order data is preferably removed from the order book and no longer qualifies for display. The order book may integrate qualifying orders entered into the system with national best price (prices) for both the buy (ask) and sell (bid) data or other external data. .

10

Within each book, data is ranked according to the following criteria:

- 1) Price – the price of an order
- 2) Time – the time at which data was entered
- 3) Size – the specified quantity

15

It should be noted that Match orders are unpriced and will be given priority based upon the existing match price (defined below). Depending upon the situation and primary market of the trading element, market orders may also be permitted to "hit" the book. In such instance they will be given priority based upon a means to be determined by the system Administrator. Such a means shall include external best, internal best, last sale or another price as determined by the system Administrator.

The display mechanism can take several forms as depicted in FIGS 3-8. The display mechanism is security (or product or service) specific and may contain the following elements:

- Company Name – name of the company issuing the trading element (or manufacturing, distributing the trading element)

As set forth in detail above, the system of the invention in its preferred embodiment allows Subscriber to enter orders for processing by the system. The underlying elements of certain unexecuted orders will qualify for display in the order book display of the invention. This display can be made available (in different iterations) over the internet and via the GUI. Upon execution, order data is preferably removed from the order book and no longer qualifies for display. The order book may integrate qualifying orders entered into the system with national best price (prices) for both the buy (ask) and sell (bid) data or other external data.

10

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- 1) Price – the price of an order
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15

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The display mechanism can take several forms as depicted in FIGS 3-8. The display mechanism is security (or product or service) specific and may contain the following elements:

- Company Name – name of the company issuing the trading element (or manufacturing, distributing the trading element)

- Symbol – Unique identifier of the element about which data is being collected and displayed
- Price – Price \$ at which trading will occur
- Size – quantity that one wishes to buy or sell
- 5 • Limitation Identifier – symbol alerting user that some (specified or unspecified) limitation was been issued in connection therewith
- National Best Buy (Ask or Offer) – the best (least expensive) widely disseminated price at which to buy the trading item.
- 10 • National Best Sell (Bid) – the best (most expensive) widely disseminated price at which to sell the trading item
- Match price – the mid point of the bid and ask price as determined by the arithmetic median of the National Best Buy and National Best Sell Prices. Note this can also be calculated by the arithmetic mean.
- 15 • Unique Identifier – the unique identifier is one that is either order or account specific and will allow the user to track their order throughout the system.

The display mechanism is preferably delineated into two sides, the buy side (Bid) and the sell side (Ask), with the sell side located on the right and the buy side located on the left. FIGS. 3 and 4 illustrate several alternative general formats for the display. In 20 FIG. 3, data from qualifying orders are displayed with size and price shown on the buy side and price and size shown on the sell side. Additional data elements, such as a time associated with each displayed order or an identifier, can be included. Further, as illustrated in FIGS. 3 and 4, data rows on the buy side are preferably ranked in descending order according to 1) price, 2) time, 3) size. As illustrated in FIGS. 3 and 4, 25 data rows on the sell side are ranked in ascending order according to 1) price, 2) time, 3) size.

National (external) buy and sell prices can be included in the display in a number of ways. National best prices can be assigned a unique identifier such as a color or

number. In FIGS. 3-8, national best prices could be identified by being displayed in red, but it will be understood that other colors and means for identification of national best prices can be used without departing from the spirit and scope of the invention.

5        As illustrated in FIGS. 3-8, national best prices may be included in a separate designated row in the order book. National best prices may be included (just as any other order would be) in the book. In this manner they are simply given priority, as any other order would be according to price, time, size. Multiple national prices (widely disseminated) may be included in their own display mechanism next to the system  
10      display mechanism

A further feature of the invention is the interactivity that the user is afforded through presentation on the internet. The system of the invention can allow trading participants, through either a sponsoring broker or designated broker participants, to enter  
15      orders directly to the system. Participants may track their order if it is posted to the display mechanism. Participants may track their order via a unique color and/or identifier. For example, the color green may be used to identify a trading participant's own order and the color yellow may be used to identify Match orders.

20        In addition to entering and tracking their orders, trading participants can also amend or delete their orders prior to execution. Any changes will be immediately reflected in the display mechanism, except that there may be a slight delay incorporated in order to preserve order fulfillment integrity if regulatory rules so require. Trading participants can also identify contra orders that they would like to trade against, submit  
25      the order (data), and watch as the identified order is adjusted or removed from the display mechanism.

It should be noted that cloaking may be used in connection with the display of this invention. Cloaking allows the user to choose to cloak a displayed item. A cloaked item

will appear in a form such as [XXXX] that will prohibit anyone viewing the display from knowing the actual value or identifier thereunder. The system administrator will maintain, at its sole discretion, authority over what elements may be cloaked and when they may be cloaked.

5

As a means of increasing interaction with the invention, it may be presented in a way such that an item in the display of each order will be a hyperlink. The hyperlink will bring up an order form. The order form will be pre-filled with the price and size information of the order so chosen. This means will create a new level of interactivity  
10 between the invention and the user.

While the invention has been particularly shown and described with reference to a preferred embodiment thereof, it will be understood by those skilled in the art that various changes in form and details may be made therein without departing from the spirit and  
15 scope of the invention.

The embodiments of the invention in which an exclusive property or privilege is claimed are defined as follows:

1. An automated securities trading system, comprising:  
a single electronic communications network for sending and receiving web pages including securities transaction order forms, for receiving orders, for matching securities buyers with securities sellers, and for executing orders;  
whereby a user interacts directly with said securities trading system using the internet as a transport.
2. The securities trading system according to claim 1, wherein said system further comprises means for displaying an open order book to said securities buyers and securities sellers.
3. The securities trading system according to claim 2, wherein said means for displaying an open order book allows said user to aggregate a plurality of buy and sell data.
4. The securities trading system according to claim 2, wherein said means for displaying an open order book allows said user to manipulate a plurality of buy and sell data.
5. The securities trading system according to claim 2, wherein said means for displaying an open order book allows said user to display a plurality of buy and sell data.

6. The securities trading system according to claim 2, wherein said means for displaying an open order book allows said user to interact with a plurality of buy and sell data.

7. The securities trading system according to claim 1, wherein said system includes means for searching buy and sell data and for identifying a best bid and a best offer for a security.

8. The securities trading system according to claim 7, wherein said best bid and best offer for a security comprise a national best bid price and a national best offer price.

9. The securities trading system according to claim 8, wherein said means for searching buy and sell data determines a mid-point of said best bid and offer.

10. The securities trading system according to claim 1, wherein said system includes means for receiving order data including a range of lot sizes.

11. The securities trading system according to claim 10, wherein said means for receiving order data allows said user to specify a minimum lot size and a maximum lot size of securities said user is willing to buy or sell.

12. The securities trading system according to claim 1, further comprising first and second databases, said first database comprising a trading system database for storing securities information, subscriber information, order information and trade

information, and said second database comprising a central data repository database for storing historical information regarding trading instruments, subscribers, and trading activity.

13. The securities trading system according to claim 12, wherein said second database stores a plurality of administrative data.

14. The securities trading system according to claim 13, wherein said first database and said second database interact with each other at a defined interval.

15. The securities trading system according to claim 14, wherein said plurality of security trading data on said first database is stored on said second database when said first database and said second database interact.

16. The securities trading system according to claim 1, wherein said system comprises means for trading a plurality of securities within a traditional trading time of said securities trading system.

17. The securities trading system according to claim 1, wherein said system comprises means for trading a plurality of securities outside a traditional trading time of said securities trading system.

18. A securities trading system according to claim 1, wherein said system further comprises:

an application programmer interface for facilitating connection of a user's computer to said electronic communication network.

19. The securities trading system according to claim 18, wherein said application programmer interface comprises a message definition between the said network and said user's computer.

20. The securities trading system according to claim 18, wherein said application programmer interface comprises a software library of calls which are incorporated into said user's computer.

21. The securities trading system according to claim 18, wherein said application programmer interface communicates with said network using TCP/IP over a dedicated circuit.

22. The securities trading system according to claim 21, wherein said application programmer interface communicates with said network using TCP/IP over the public Internet.

23. The securities trading system according to claim 21, wherein said application programmer interface communicates with said network using TCP/IP and Secure Sockets Layer.

24. An automated securities trading system for displaying an interactive open order book and for matching buyer bids to seller offers, comprising:

means for generating a web page which displays an open order book to a securities buyer or securities seller, said open order book comprising data describing a

plurality of current bid prices and a plurality of current ask prices of a specified security and an identification of said security.

25. The automated securities trading system according to claim 24, wherein said web page includes an identification of a best bid price and an identification of a best ask price.

26. The automated securities trading system according to claim 25, wherein said identification comprises color coding of said best bid price and said best ask price to distinguish them from other bid and ask prices in said plurality of current bid and ask prices.

27. The automated securities trading system according to claim 24, wherein said identification of said security comprises a ticker symbol.

28. The securities trading system according to claim 24, wherein said means for generating a web page which displays an open order book allows said buyer or seller to aggregate a plurality of buy and sell data.

29. The securities trading system according to claim 24, wherein said means for generating a web page which displays an open order book allows said buyer or seller to manipulate a plurality of buy and sell data.

30. The securities trading system according to claim 24, wherein said means for generating a web page which displays an open order book allows said buyer or seller to interact with a plurality of buy and sell data.

31. An automated securities trading system for receiving a securities order, comprising:

means for receiving an identification of a security which a buyer wishes to purchase;

means for calculating a real time mid-point between a best bid price and a best ask price for said security;

means for causing said order to be executed at said mid-point.

32. The automated securities trading system according to claim 31, wherein said mid point comprises an arithmetic median between said best bid price and said best ask price.

33. The automated securities trading system according to claim 31, wherein said mid point comprises an arithmetic mean between said best bid price and said best ask price.

34. The automated securities trading system according to claim 31, wherein said mid point comprises a decimalized mid point between said best bid price and said best ask price.

35. The automated securities trading system according to claim 31, wherein said

means for causing said order to be executed comprises means for causing said order to be executed against another order having a matching mid point.

36. The automated securities trading system according to claim 31, wherein said means for causing said order to be executed comprises means for causing said order to be executed against a limit order having a limit price at or better than said mid point.

37. The automated securities trading system according to claim 31, wherein said means for causing said order to be executed comprises means for causing said order to be executed against a market order.

38. An automated securities trading system for receiving a securities order, comprising:

means for receiving an identification of a security which a buyer wishes to purchase;

means for receiving a minimum lot size which said buyer wishes to purchase;

means for receiving a maximum lot size which said buyer wishes to purchase;

means for causing said order to be executed against at least one other order having a lot size which is higher than or equal to said minimum and lower than or equal to said maximum.

39. The automated securities trading system according to claim 38, wherein said at least one other order comprises two orders whose total lot size is equal to or less than said maximum lot size.

means for causing said order to be executed comprises means for causing said order to be executed against another order having a matching mid point.

36. The automated securities trading system according to claim 31, wherein said means for causing said order to be executed comprises means for causing said order to be executed against a limit order having a limit price at or better than said mid point.

37. The automated securities trading system according to claim 31, wherein said means for causing said order to be executed comprises means for causing said order to be executed against a market order.

38. An automated securities trading system for receiving a securities order, comprising:

means for receiving an identification of a security which a buyer wishes to purchase;

means for receiving a minimum lot size which said buyer wishes to purchase;

means for receiving a maximum lot size which said buyer wishes to purchase;

means for causing said order to be executed against at least one other order having a lot size which is higher than or equal to said minimum and lower than or equal to said maximum.

39. The automated securities trading system according to claim 38, wherein said at least one other order comprises two orders whose total lot size is equal to or less than said maximum lot size.

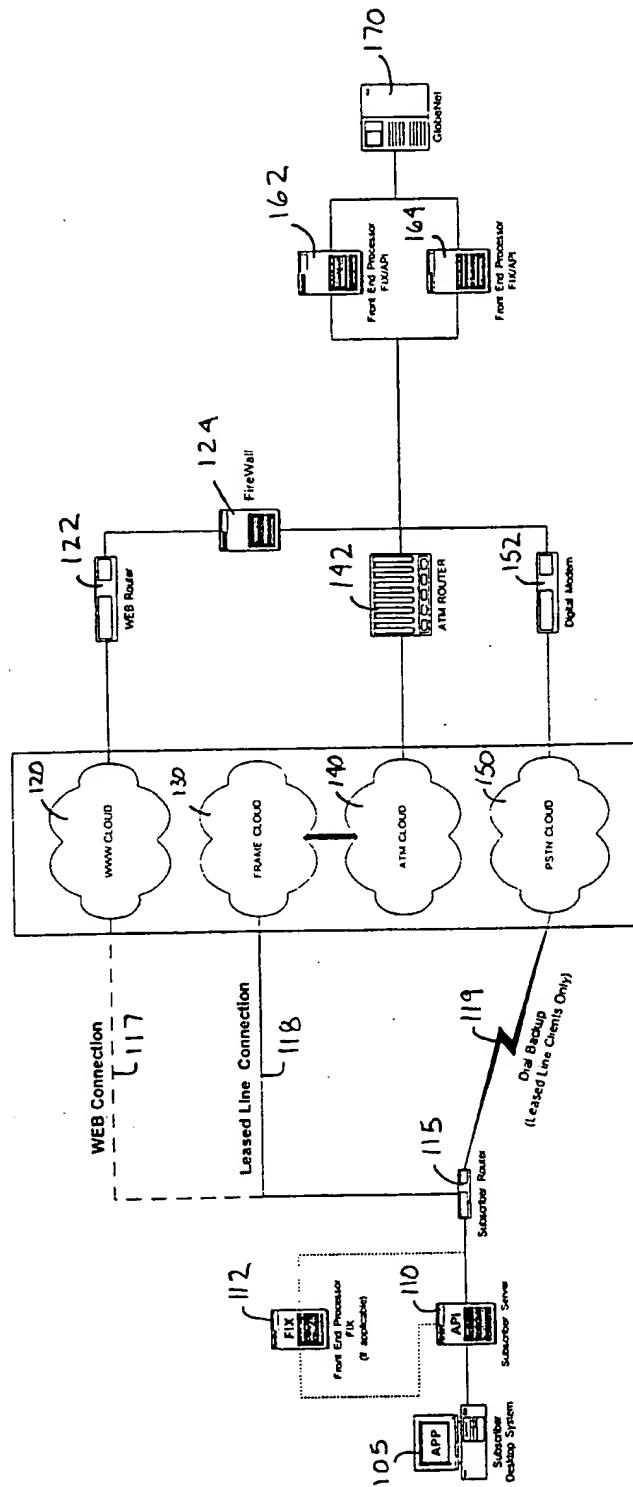
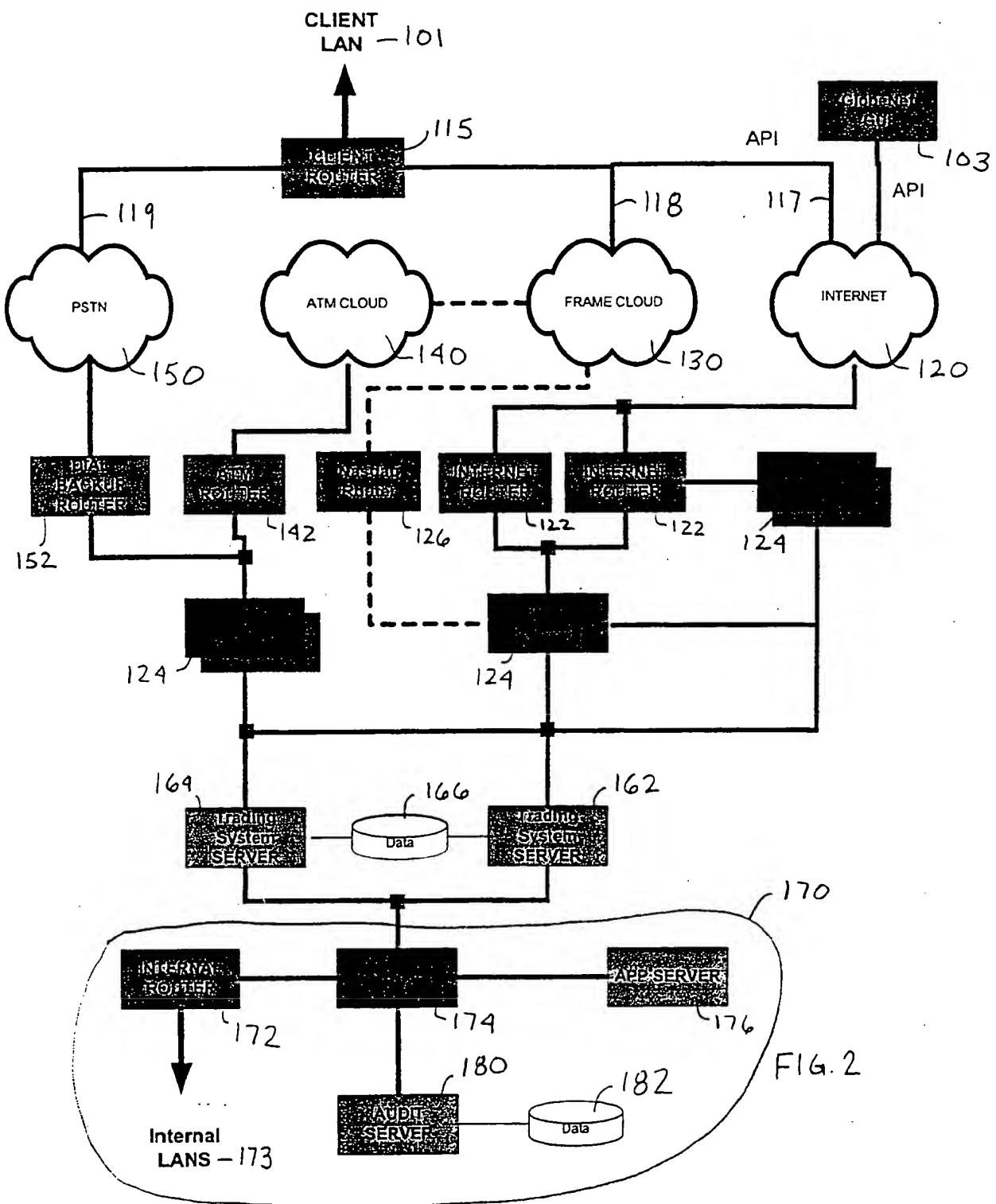


FIG. 1



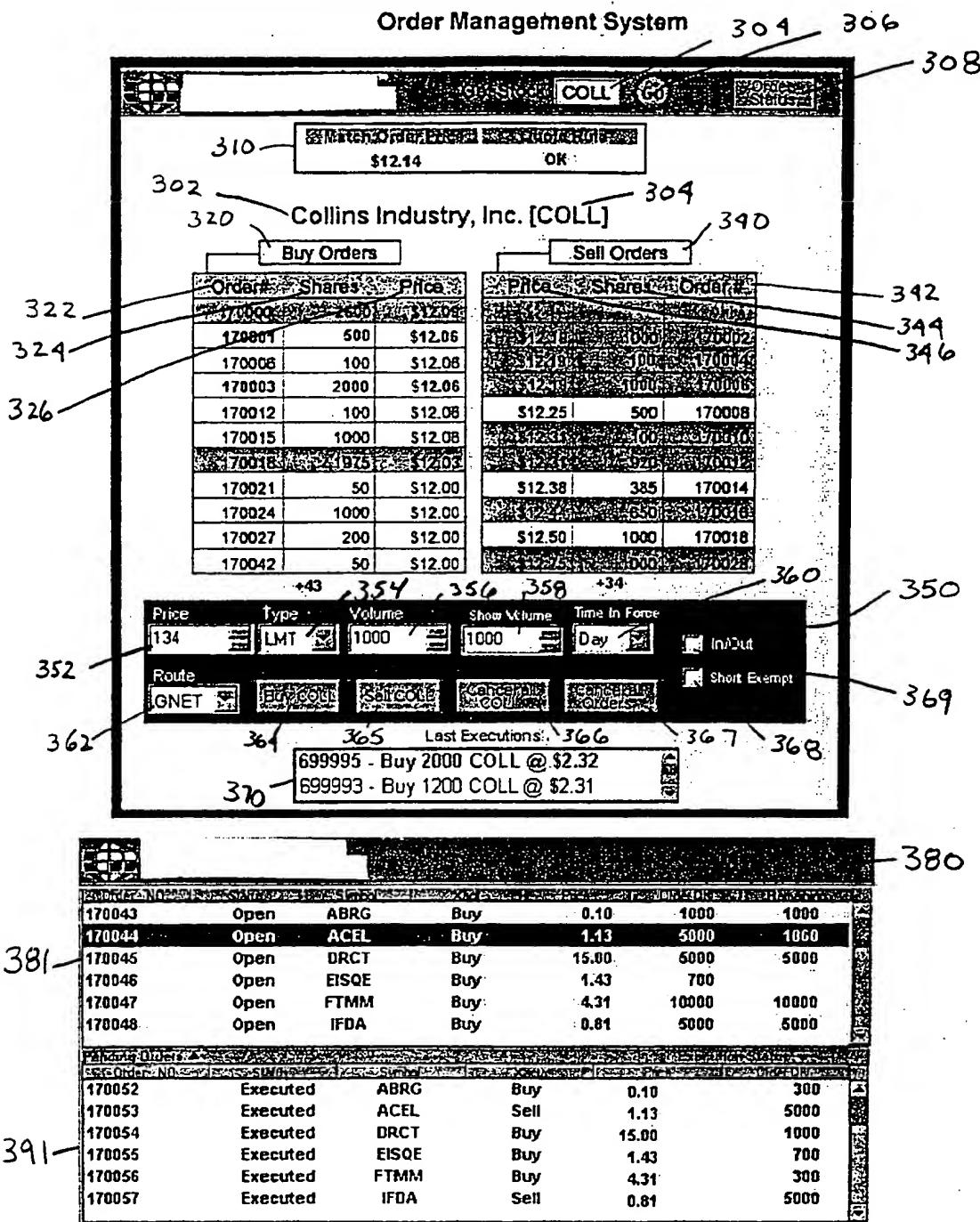


FIG. 3

300

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**Preview**

GlobeNet Order Books are designed to serve as a single point of price discovery for a GlobeNet traded security. The Order Book will allow you to view the 30 most competitively priced, outstanding and unexecuted GlobeNet orders (15 best bid and 15 best ask).

The Order Book is an investor's ultimate tool for price discovery and order tracking. Orders are prioritized on the order book according to 1) price and 2) time (on the bid and ask sides, respectively.)

A model of the GlobeNet Order Book is displayed below.

304

GlobeNet™			Collins	COLL	50
COLLINS INDUSTRIES, INC.			309	309	311
Company name	Symbol	Last Match	Price	Time	
Collins Industries, Inc.	COLL		\$9.14	9:22:30	
<b>Buy Orders</b>			<b>Sell Orders +340</b>		
Order #	Shares	Price	Order #	Shares	Price
170309	2000	\$9.00	170829	1000	\$9.00
170423	125	\$11.84	170835	250	\$11.75
170835	250	\$11.75	170861	1000	\$11.75
170861	1000	\$11.75	170045	500	\$11.70
170045	500	\$11.70	170235	600	\$11.63
170235	600	\$11.63	170845	450	\$11.60
170845	450	\$11.60	170493	900	\$11.58
170493	900	\$11.58	170205	500	\$11.58
170205	500	\$11.58	170899	1000	\$11.25
170899	1000	\$11.25			+48
					+39

306

302

322

324

326

342

344

346

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FIG. 4

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**Collins Industries, Inc.** Collins Industries, Inc. 402

**Company Profile** + 410

The Company principally manufactures and markets Specialty Vehicles. Ambulances. The Company manufactures both modular and van-type ambulances at its Hutchinson, Kansas and Orlando, Florida plants. Modular ambulances are produced by attaching an all-aluminum, box-type, patient compartment to either a dual rear-wheel cab chassis ("Type I") ambulance or a dual rear-wheel, van-type, cutaway chassis ("Type III") ambulance or to a single rear-wheel cutaway chassis ("Moduvan") ambulance. A cutaway chassis consists of only the front portion of the driver's compartment, engine, drive train frame, axle and wheels. Van ("Type II") ambulances are cargo vans modified to include patient compartment and a raised fiberglass roof. Type II ambulances are smaller and less expensive than modular ambulances. The Company also produces a limited number of medical support vans designed to transport medical and life-support equipment. Medical

**Summary**

Collins Industries, Inc  
www.collinsind.com  
15 Compound Drive  
Hutchinson, KS 67502  
Phone: (316) 883-5551

SIC Code:  
3711

Industry:  
Auto & Truck Manufacturers

Fiscal Year End:  
October 31, 1999

Management:  
Don Collins, Chmn.  
Donald Lynn Collins, Pres./CEO  
Larry W. Sayre, VP-Fin./CFO/CAD  
Lewis Ediger, VP/Secy.

**Quotes** + 430

431	GNet Last	10.07	Natl Last	10-43
432	GNet Bid	10.00	Natl Bid	10-43
433	GNet Ask	10.10	Natl Ask	10.1A-44
434	Natl Open	10.00	Natl Vol	10000-44
435	Natl High	10 1/2	Natl Change	7/3-44
436	Natl Low	10 1/2	Natl Vol	12000-44
437	Exchange	NNM	52 Wk. Low	5 1/8-4

\*National quotes are 15 to 20 minutes delayed

**News** + 450

PRN 2/22 08:53 [Collins Post Record First Quarter Pretax Earnings on 30% Higher Sales](#)  
 PRN 1/19 00:23 [Collins Industries Inc. Director Files SEC Form 4](#)  
 ST 1/18 22:45 [Collins Inc. Director Files SEC Form 4](#)  
 EP 1/18 12:31 [Collins Industries Files 10-K for the Fiscal Year Ended 10/31/1999](#)

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FIG. 5

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**465** → Charting  
**470** → SEC Filings  
**475** → Financials

**480** → GlobalNet Quotations and Estimates

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>>> symbol lookup

**Summary**

Collins Industries, Inc  
[www.collinsind.com](http://www.collinsind.com)  
 16 Compound Drive  
 Hutchinson, KS 67502  
 Phone: (316) 863-5551

SIC Code: 3711

Industry: Auto & Truck Manufacturers

Fiscal Year End: October 31, 1999

Management:  
 Don Collins, Chmn.  
 Donald Lynn Collins, Pres./CEO  
 Larry W. Sayre, VP-Fin./CFO/CAO  
 Lewis Ediger, VP/Secy.

**COLLINS INDUSTRIES, INC. Collins Industries, Inc.**

**Quotes** → 430

GlobeNet Last	10.07	Natl Last	10
GlobeNet Bid	10.00	Natl Bid	10.72
GlobeNet Ask	10.10	Natl Ask	10.18
Natl Open	10.34	Natl High	10.70
Natl High	10 1/2	Natl Change	7/32
Natl Low	10.20	Natl Low	10.00
Exchange	NNM	52 Wk. Low	5 1/8

\*National quotes are 15 to 20 minutes delayed.

**Charting** → 510

Price      3 Month Price and Volume as of 5/22/2000      Volume

\$6.50  
 \$6.25  
 \$6.00  
 \$5.75  
 \$5.50  
 \$5.25  
 \$5.00  
 \$4.75  
 \$4.50

Mar      Apr      May

Close  Share Volume

520 → [redacted] 3M [redacted]

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FIG. 6

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460 → Profile  
 465 → Charting  
 465 → SEC Filings  
 470 → Financials  
 475 → [GlobeNet Quarterly Reports](#)

**Enter a Symbol**  [Go](#)

[>>>symbol lookup](#)

**COLLINS INDUSTRIES, INC.** Collins Industries, Inc.

**Quotes + 430**

	GlobeNet Last	10.07   Nat'l Last	
612	GlobeNet Bid	10.00   Nat'l Bid	1
619	GlobeNet Ask	10.10   Nat'l Ask	10
616	Nat'l Open	10 1/4   Nat'l Open	25.00
618	Nat'l High	10 1/2   Nat'l Change	7
620	Nat'l Low	10 1/4   Nat'l Low	10
622	Exchange	NNM   52 Wk. Low	5

\*National quotes are 15 to 20 minutes delayed

**Financials + 610**

**Quarterly Financials**

	in (000's) * July 31, 1999	April 30, 1999	January 31, 1999	July 31, 1998
612	Revenues	\$52,836	\$46,767	\$38,174
619	Income from operations	\$3,493	\$2,836	\$1,328
616	EBITDA	NA	NA	NA
618	Net Earnings	\$1,920	\$1,515	\$611
620	Earnings Per Share (Basic)	\$0.27	\$0.21	\$0.09
622	Earnings Per Share (Diluted)	\$0.26	\$0.20	\$0.09
624	Current Assets	\$48,541	\$45,905	\$39,667
626	Long-Term Assets	\$23,325	\$23,846	\$23,412
628	Total Assets	\$71,866	\$69,751	\$63,079

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FIG. 7

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702 → [Market Summary](#)      710 **Preview**  
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The Market Summary is a unique tool designed to serve as a single point of information on GlobeNet trading activity. The Market Summary will contain links to GlobeNet's Order Book and Company Pages.

GlobeNet is committed to providing unparalleled price discovery mechanisms. Accordingly, we intend to expand the functionality of this site to allow investors to customize the Market Summary table.

A model of the Market Summary is provided below.

GlobeNet™ Realtime National									
Company Name	Ticker	% Change	Tick	Exch.	Bid	Ask	Last	Last	Vol (100's)
Company A	AAA	-23.81	↑ 0.63	O	43.45	43.45	43.45	43.45	1234
Company B	BBBB	1.02	↓ 0.25	N	24.83	24.75	24.75	24 3/4	2134
Company C	CCCC	-2.06	↓ 0.38	S	85.38	85.44	85.44	85.44	1234
Company D	DDDD	2.65	↑ 1.13	U	43.58	43.63	43.63	43 5/8	189477
Company E	EEEE	-1.00	↓ 0.00	L	97.06	97.08	97.08	97.08	200188
Company F	FFFF	-4.17	↑ 0.38	A	8.83	8.75	8.63	8 5/8	3201
Company G	GGGG	-327.91	↓ 0.16	O	6.24	6.25	6.25	6.25	1234
Company H	HHHH	0.00	0.00	Q	35.88	36.00	35.88	35 7/8	2308
Company I	IIII	-1.17	↓ 0.09	U	29.88	29.94	29.94	29.94	1234
Company J	JJJJ	-4.48	↓ 0.19	A	3.88	3.94	4.00	4	72

\*National information is 15-20 minutes delayed.

700

FIG. 8

(12) INTERNATIONAL APPLICATION PUBLISHED UNDER THE PATENT COOPERATION TREATY (PCT)

(19) World Intellectual Property Organization  
International Bureau



(10) International Publication Number

WO 01/02930 A3

PCT

(51) International Patent Classification<sup>7</sup>: G06F 17/60 (81) Designated States (*national*): AE, AG, AL, AM, AT, AT (utility model), AU, AZ, BA, BB, BG, BR, BY, BZ, CA, CH, CN, CR, CU, CZ, CZ (utility model), DE, DE (utility model), DK, DK (utility model), DM, DZ, EE, EE (utility model), ES, FI, FI (utility model), GB, GD, GE, GH, GM, HR, HU, ID, IL, IN, IS, JP, KE, KG, KP, KR, KR (utility model), KZ, LC, LK, LR, LS, LT, LU, LV, MA, MD, MG, MK, MN, MW, MX, MZ, NO, NZ, PL, PT, RO, RU, SD, SE, SG, SI, SK, SK (utility model), SL, TJ, TM, TR, TT, TZ, UA, UG, UZ, VN, YU, ZA, ZW.

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(22) International Filing Date: 30 June 2000 (30.06.2000)

(25) Filing Language: English

(26) Publication Language: English

(30) Priority Data:  
60/141,859 1 July 1999 (01.07.1999) US  
60/155,489 23 September 1999 (23.09.1999) US

(71) Applicant: GLOBENET CAPITAL CORPORATION [US/US]; 507 N. New York Avenue, Suite 200, Winter Park, FL 32789 (US).

(72) Inventors: MAGILL, Louis; GlobeNet Stock Exchange, Inc., 507 N. New York Avenue, Suite 200, Winter Park, FL 32789 (US). SEMONES, Bob; GlobeNet Stock Exchange, Inc., 507 N. New York Avenue, Suite 200, Winter Park, FL 32789 (US).

(74) Agents: KURTZ, Richard et al.; 12th Floor, 1750 Tysons Boulevard, McLean, VA 22102 (US).

(84) Designated States (*regional*): ARIPO patent (GH, GM, KE, LS, MW, MZ, SD, SL, SZ, TZ, UG, ZW), Eurasian patent (AM, AZ, BY, KG, KZ, MD, RU, TJ, TM), European patent (AT, BE, CH, CY, DE, DK, ES, FI, FR, GB, GR, IE, IT, LU, MC, NL, PT, SE), OAPI patent (BF, BJ, CF, CG, CI, CM, GA, GN, GW, ML, MR, NE, SN, TD, TG).

**Published:**  
— With international search report.

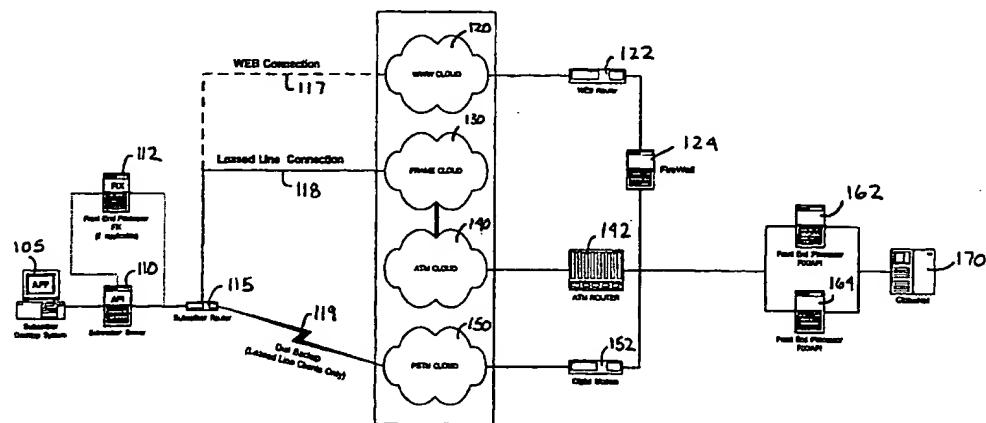
(88) Date of publication of the international search report: 5 July 2001

For two-letter codes and other abbreviations, refer to the "Guidance Notes on Codes and Abbreviations" appearing at the beginning of each regular issue of the PCT Gazette.

(54) Title: METHOD AND APPARATUS FOR PROCESSING SECURITIES TRANSACTIONS



WO 01/02930 A3



(57) Abstract: A method and system for trading securities (100) and other goods and services which incorporates an electronic auction and matching system which connects buyers and sellers (105) of securities or other goods and services via the Internet (120). The disclosed embodiments may incorporate an order book system which can aggregate, manipulate, display and interact with securities order data for Subscribers (105) to view qualifying buy and sell orders. In addition, the disclosed embodiments allow Subscribers (105) to continuously search out a best bid and offer and to provide a range of shares for sale defined in minimum lot sizes up to a maximum number of shares. Moreover, the disclosed embodiments employ both a trading system database and a central data repository for processing and saving information regarding trades, Subscribers, and other information.

## INTERNATIONAL SEARCH REPORT

International application No.

PCT/US00/18258

## A. CLASSIFICATION OF SUBJECT MATTER

IPC(7) :G06F 17/60

US CL :705/37, 36, 35

According to International Patent Classification (IPC) or to both national classification and IPC

## B. FIELDS SEARCHED

Minimum documentation searched (classification system followed by classification symbols)

U.S. : 705/37, 36, 35

Documentation searched other than minimum documentation to the extent that such documents are included in the fields searched

NONE

Electronic data base consulted during the international search (name of data base and, where practicable, search terms used)

WEST, DIALOG

## C. DOCUMENTS CONSIDERED TO BE RELEVANT

Category*	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
X	US 5,689,652 A (LUPIEN et al) 18 November 1997, col. 5, line 4 thru col. 13, line 63.	1-39
X	US 5,845,266 A (LUPIEN et al) 01 December 1998, col. 6, line 8 thru col. 20, line 40.	1-39
X,P	US 5,950,176 A (KEISER et al) 07 September 1999, col. 2, line 6 thru col. 9, line 34.	1-39
X,P	US 6,014,643 A (MINTON) 11 January 2000, col. 4, line 1 thru col. 15, line 36.	1-39
X,P	GLOBENET, World's First Live Internet-Based Stock Trading System Business Wire, Code BW, Type NewsWire, pages 1-3.	1-39
A	US 5,819,238 A (FERNHOLZ) 06 October 1998, entire document.	1-39

 Further documents are listed in the continuation of Box C.

See patent family annex.

* Special categories of cited documents:	"T"	later document published after the international filing date or priority date and not in conflict with the application but cited to understand the principle or theory underlying the invention
*A* document defining the general state of the art which is not considered to be of particular relevance	"X"	document of particular relevance; the claimed invention cannot be considered novel or cannot be considered to involve an inventive step when the document is taken alone
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*L* document which may throw doubt on priority claim(s) or which is cited to establish the publication date of another citation or other special reason (as specified)	"&"	document member of the same patent family
*O* document referring to an oral disclosure, use, exhibition or other means		
*P* document published prior to the international filing date but later than the priority date claimed		

Date of the actual completion of the international search

27 NOVEMBER 2000

Date of mailing of the international search report

21 DECEMBER 2000

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Telephone No. (703) 308-1065

*Peggy Hanan*

## INTERNATIONAL SEARCH REPORT

International application No.  
PCT/US00/18258

## C (Continuation). DOCUMENTS CONSIDERED TO BE RELEVANT

Category*	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
A	US 5,963,923 A (GARBER) 05 October 1999, entire document.	1-39